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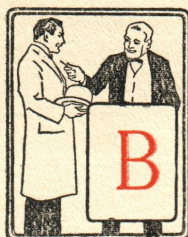
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The PACE STUDENT

Vol. II

New York, March, 1917

No. 4



BUSINESS, after all, is pretty much a matter of buying and selling. The turnover of the merchant is nothing more than the loading and the unloading of his shelves as the result of buying and selling merchandise. The more this process of loading and unloading can be speeded up, the greater the volume of business and, presumably, the greater the amount of profit. Loading the shelves, if capital and credit are available, is an easy matter—the major amount of the time and the thought of the merchant must be devoted to the unloading, or selling, operation.

In manufacturing, of course, the conditions are somewhat different. Materials and supplies must be bought and labor must be engaged to carry out the technical process by means of which a product is made available. No matter how intricate and tedious the manufacturing operation may be, however, a market must be found for the product. The manufacturer, therefore, like the merchant, does not travel the complete circuit of his business until selling transactions take place and the selling price is received.

Selling transactions, therefore, provide the necessary exit for the merchandise of the trader and for the product of the manufacturer. These transactions, in fact, are a vital part of the business circuit of incoming and outgoing values—a circuit through which flows, as it were, the very life stream of the business enterprise. A proper record of the trades that make up the marketing or selling function of the business is needed for intelligent management. The subject of sales records, therefore, is always of interest to the business man, and likewise to the accountant,

who functions as the business man's adviser.

A sale is defined as a contract whereby the absolute or general ownership of property is transferred from one person to another for a price or sum of money, or loosely, for any consideration. To illustrate, a merchant, by a contract known as a sale, turns over merchandise in exchange for money, or upon a promise of payment of an agreed price in money at a later date. Practically all sales are made in one way or the other—either for money or upon promise of a later money settlement.

*The
Record
of
Trades*

LEADING ARTICLES

J. Lee Nicholson, C.P.A.

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Sales being made as a matter of contract, certain legal restrictions and complications are involved. With these we have nothing to do in this article, in which it is intended to deal merely with recording the financial effects of sales contracts that are presumably regular in their nature.

We require in any business concern a record of trades or sales for two reasons: First, a record is needed in order that a better control of the values involved in the selling transaction may be secured. Second, a record is needed to

provide statistical information that will aid in the direction of the selling effort.

The values involved in a sale consist of the goods turned over to the customer and of the cash or promise of later payment received in exchange for the goods. Let us consider the possible accounting records involved in these transactions.

In ordinary merchandising a complete record of the value of goods bought and sold is not kept. A record is made of the cost of goods bought; and a record is made, as sales occur, of the total selling price received, but the latter is not divided between cost of goods and gross profit. It therefore follows that a knowledge as to the

stock cannot be obtained without a physical inspection and inventory of the goods. Such an inventory is made periodically, usually once a year, when it is necessary to determine net profits. We have no quarrel with this procedure, because in the majority of trading concerns the cost and delay of making a complete record of stock would overbalance any benefits that would accrue from the complete record.

In some trading concerns, however, a complete stock record is made. Thus, in the jewelry business, the value of the items and the danger of theft justify the work of keeping a stock record. The physical inventory, when taken, is checked against the inventory as shown by the books. There are other instances in which a complete record of stock is kept, although they are the exception rather than the rule.

A more positive control, however, is found, even in the small business, of the cash or receivables secured in exchange for merchandise as the result of sales. Cash is immediately received in many types of sales, and no time need be taken to describe the mechanical cash register which is used in nearly all small retail establishments and in many departments of larger concerns to safeguard cash received from sales. A record is made of each sale, and the total for each day is proved against the actual cash.

Many devices, aside from the mechanical cash register, are adopted for safeguarding cash received from sales. Where the conditions will permit it, numbered receipts are used which are prepared in duplicate by means of carbons. The receipts may be bound in books or used in mechanical devices.

No matter what the method may be, cash received from all sources, including sales, should be deposited periodically, preferably each business day, in a bank. A bookkeeping record should be made recording the deposit and crediting the proper accounts, as provided in the scheme of bookkeeping.

The second contingency, the sale of goods upon credit, demands that a record should be made to establish beyond question the amount to be received later from the debtor. A record of this type is necessary in order to facilitate settlements, and particularly to provide a means by which collections may be followed up. Even the smallest business, if it departs in the slightest degree from the cash basis of transacting business, must provide a method of recording the items, including the dates and the prices of merchandise sold. The methods vary all the way from the duplicate sales slip, which the corner

grocer files for each customer in a wall-case provided for that purpose, to the duplicate, itemized, monthly statement which the department

store keeps as a Ledger record of the items sold to each customer. In each case the merchant must be able to show, in respect to each item sold on credit, the date, the character of the item, and the price charged.

Periodically, usually once a month, statements are rendered to customers of the balance due. If a detailed bill is rendered in respect to items as the sales are made, the monthly statement is usually a recapitulation which shows merely the total of the detailed bills that have been rendered. On the other hand, it is a common practice of department stores, in addition to rendering each customer a duplicate sales slip at the time of the purchase, to render monthly a complete itemized bill, an exact duplicate of which is kept as the Ledger account in the store.

So much may be said in a brief way as to the requirements in respect to the need of records to secure a control of the values involved in sales.

The second accounting need in respect to sales is for statistical information that will afford aid in promoting this important division of the business. The small business which does not maintain proper accounting records does not usually proceed beyond a record of cash received and of accounts receivable. The statistical record of sales, in fact, is secured almost exclusively by double-entry bookkeeping. The debits—cash or accounts receivable—that result from selling are offset by an equivalent credit made either to a merchandise account or, under better practice, to a sales account.

A statistical record is thus built up which may be classified in respect to different departments or classes of merchandise. Sales are recorded from day to day; and statements can be prepared in comparative form which disclose the trend of the business. Inefficiencies in selling and in advertising can be detected, and a basis is afforded upon which managerial action may be taken to improve conditions.

Even the railroads resort to selling records and statements of this type. Gross earnings are shown daily, weekly, and monthly in comparison with similar facts for the preceding year, and in many cases the earnings are shown at least monthly in respect to all stations receiving freight. Thus, the agent representing a railroad company in a small village is provided with information in respect to the earnings of his station for the preceding month and for the same month in the preceding year, and also with a statement

J. Lee Nicholson, C.P.A. **I** SOMETIMES envy the young man of to-day his wonderful educational opportunities, especially if he wishes to equip himself for a successful business career. Things were different when I was a boy. There were no books of value on Business to be had, and no educational courses to be taken advantage of. What a young man accomplished, he had to accomplish unaided, and under great disadvantages."

This is what J. Lee Nicholson, C.P.A., one of the best-known authorities on factory cost accounting in the country, said to me the other day during a pleasant chat in his sunny office in the Woolworth Building.

Yet, as I think of Mr. Nicholson's typically American career, from the proverbially humble beginning to his present high position in professional accountancy and education, I sometimes wonder whether it isn't better, after all, for a young man with stuff in him to be compelled to forge his own tools of advancement before he uses them. It is such careers as Mr. Nicholson's that set this train of thought in motion.

Though a Southerner by birth, Mr. Nicholson received a common-school and a business-school education in Pittsburgh, where circumstances made it necessary for him to get a job when he was a mere stripling. Accordingly, he entered the employ of the Keystone Bridge Company, one of the Carnegie Steel concerns, as office boy. He was soon promoted to the engineering department where he got his first liking for costs, since his duties consisted largely in making out shop bills and in drawing up sketches and plans which were used by the foreman and the superintendent of the company.

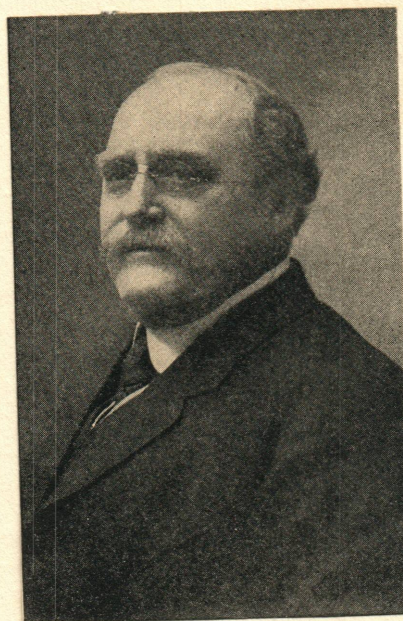
During this time Mr. Nicholson had been spending most of his spare time in the study of Accountancy; so he was qualified to accept a position as Accountant with the Pennsylvania Railroad in Pittsburgh, where he remained a year. In this new position he was employed almost wholly in calculating the cost of the water used in the tenders of the engines throughout the Pennsylvania Railroad system.

Ambition kept stirring within him, and he resigned his position and came to New York in 1885, when he was twenty-two years old. For two years he acted as book-keeper, and later as traveling salesman, for S. Katz & Company, importers of buttons and novelties.

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Mr. Nicholson, young as he was, had long intended to enter the professional practice of Accountancy. In 1889, realizing that he must make a start in his chosen work, he opened an office as a practicing Accountant under the name of J. Lee Nicholson, which has been the firm name ever since. After the usual hardships which seem to be in store for the young man just entering any profession, Mr. Nicholson began to make an enviable reputation for the high quality of his work, and business came to him



J. Lee Nicholson, C.P.A.

Factory Cost Specialist

rapidly. Mr. Nicholson's present firm enjoys a large and lucrative practice in all aspects of Accountancy, though it is perhaps best known for its work in industrial engineering and cost accounting, upon which Mr. Nicholson began to specialize in 1901.

Mr. Nicholson has been a prolific and an authoritative writer and speaker upon Cost Accounting. He is the author of various articles upon this subject which have appeared in the leading trade publications of the country, and he has spoken many times on Cost Accounting before manufacturers' associations. His first book on Cost Accounting, "Factory Organizations

and Costs," appeared in 1909. This book was followed by a second, designed for use in a correspondence school. His third and most exhaustive book, "Cost Accounting—Theory and Practice," which came from the press three years ago, is now used either as a text-book or as a reference book in many of the American colleges which offer courses in Accountancy and Business Administration.

For fifteen years Mr. Nicholson has been a member of the New York Society of Certified Public Accountants, and is now its First Vice-president for the third consecutive time. He was formerly a member of the old American Association of Public Accountants, and at one time chairman of the committee on terminology. And he is now a prominent member of the newly formed Institute of Accountants of America. Mr. Nicholson for four years has been a valued lecturer on Cost Accounting at Columbia University.

Mr. Nicholson, like other keen observers of the present trend of business, believes that the profession of Accountancy offers great inducements to young men who are qualified by temperament and training to enter it. He also is strongly of the opinion that training in accounting, law, and allied subjects is the surest possible guarantee of success in organization employment.

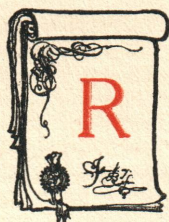
"The big need of to-day in Business," said Mr. Nicholson, in his genial but forceful way, "is for young men who are capable of making correct decisions on business matters. Present conditions being what they are, this ability can be and must be largely developed by means of the study of subjects which bear upon and reflect the promotive and executive aspects of Business as it is carried on throughout our country to-day."

It is generally admitted that the able accountant is an exceptionally high type of business man, and that his opinions upon all regulatory and constructive aspects of business are worthy of careful thought. This high appraisal of the Accountancy profession is more than corroborated by an informal discussion with J. Lee Nicholson upon any of the countless thought-provoking aspects of modern organized business. Wide experience in business, keen observation of its processes, and deep study of its principles have produced a ripe fruitage in Mr. Nicholson—they have made him a man who, when he speaks upon Business, speaks with authority.

Who's Who

Biographical Sketches of Men of Affairs

An Authority on Cost Accounting



REGULAR law
courses are no more
adapted to the
needs of business

men than business law courses
are adapted to the needs of law-
yers. Startling as this statement
may seem to the layman, it is

based upon the soundest pedagogic principles.

Mr. Charles A. Pace has pointed out one of
the main distinctions—that the university law
school is national in scope, whereas the business
law course should be local in its appeal. For
example, the Harvard University Law School
does not attempt to teach to its students, who
come from every state in the Union, the statutes
of their respective states. Dependence is placed
upon the fact that these students will have avail-
able, during their active law practice, local stat-
utes. Purely Statutory Law, excepting such as
is national in nature, is therefore acquired by the
law student after he starts his law practice, or
by special research preliminary to his state ex-
amination.

These statutes are not within reach of the
average business man, and he has neither the
time nor the inclination nor the opportunity to
go to law libraries and to ascertain the local law
of his state. It follows that the business law
school, in fulfilling its mission, must give the
business man a knowledge of the Statutory Law
of his state more thoroughly than do law schools,
most of whose students intend to practice in other
jurisdictions that the jurisdiction in which the
school is situated.

Another distinctive feature of business law
training, frequently overlooked, is probably best
brought out by the following comment by a for-
mer student on a course given in a newly estab-
lished business school:

"The two-hour Law sessions passed most rap-
idly, because the work was so interesting. Argu-
ments and discussions on hair-line decisions oc-
cupied most of the time. Although this was very
pleasant, my recollection of the Law is hazy and
vague, and of little practical use to me in my
daily business."

Beyond question, the lawyer instructing this
young man's class attempted to teach in the same
manner as in the regular law school. Probably
90 per cent. of the legal problems confronting the
average business man are susceptible of definite
decision one way or the other. The remainder
are on the border line. These border-line de-
cisions involve legal points most apt to be liti-
gated. They are the cases which the lawyer most
often meets in his practice, and which the law

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school properly emphasizes. They
are, on the other hand, the cases
which seldom happen with the aver-
age business man, and in which he

is least interested. Means which will definitely
fix his rights, and which will prevent a border-
line case from arising out of his business trans-
actions, interest him the most. Discrimination to
discern when given facts may involve legal "hair-
splitting" is necessary, so that the lawyer may be
consulted before the case is beyond remedial ac-
tion. It is positively dangerous to create in the
mind of the business man the impression that he
can do that which even the lawyer dare not do,
namely, make a curb-stone decision in cases in-
volving unsettled parts of the Law. Business law
courses, however, can and should emphasize those
cases which have in them certainty of decision;
and it is impossible to do this and, at one and
the same time, lead the student into the twilight
zones of legal decisions.

Precautions to be taken in conducting business
transactions are of most practical use to the busi-
ness man. The lawyer is concerned with the kind
of cases apt to take him into the courts; the busi-
ness man with the steps to be taken to keep him
out of the courts. He may be taught cases in-
volving certain distinctions under the Statute of
Frauds; but it is not necessary for him to know
every possible contract which may or may not
fall within its provisions. It is vastly better to
impress upon him the advisability of having all
doubtful contracts in writing than to attempt to
discriminate as to which of the doubtful ones
may or may not be in writing.

So vast is the compass of the Law that the
best law school can teach but a very minute por-
tion of the whole. It is never a question of
quantity, but always one of selection. Moreover,
that selection most suitable to the lawyer is by
no means the same as that which would be of
most benefit to the business man.

LEGAL responsibility of accountants is not
definitely defined. Some cases have arisen
in England, but so few in the United States that
the law may be regarded as unsettled. Never-
theless, light may be thrown upon the question
from analogous cases.

Those undertaking to furnish information for
the use of business organizations are responsible,
subject, of course, to any contractual limita-
tions that may exist, for the consequences of
negligence or of fraud. Not a few cases have
been decided respecting the liability of mercan-
tile agencies for erroneous credit information fur-
nished clients. These agencies attempt to pro-

*Legal
Responsi-
bility
of
Account-
ants*

protect themselves by contracts limiting liability. A recent case involved a report on a partnership dealing in furs in New York City. The assets

were stated as \$58,500, and the liabilities as \$43,500. These figures were obtained from a financial statement dated six months prior to the client's inquiry. No information had been received by the mercantile agency respecting the partnership later than five months before the inquiry.

Within a short time after the client extended the credit, the firm went into bankruptcy, and thereupon action was commenced against the mercantile agency. The liability limiting clause in the contract read, "that the said company should not be liable for any loss or injury caused by the neglect or other act of said company or any of its officers, agents, or employees in procuring, collecting, and communicating said information."

The Appellate Division of the Supreme Court (150 N.Y.S. 833) held the mercantile agency liable on this statement of fact. In the decision, the court said:

"The evidence justified a finding of gross negligence, and also that the defendant was guilty of constructive fraud in thus misrepresenting the financial credit of the firm to the plaintiff, thereby leading, if not inducing, him to extend the credit." It is also stated that a reasonable construction of the clause I have quoted above relieves the defendant from errors and mistakes, but not from knowingly making false reports, or from gross and inexcusable negligence.

So difficult is the drawing of a contract that would completely relieve a mercantile agency of responsibility for information furnished, that at least one of them resorts to a very ingenious expedient. By the terms of the contract the employees of the agency are made agents of the client, so that the mercantile agency itself ostensibly becomes a medium for merely introducing the client to his "agent."

From the various decisions relating to mercantile agencies, it would seem that the law would hold an accountant furnishing information to a high degree of care. This liability would not always be upon contracts, because the accountant's certificate is depended upon by others as well as by those who directly engage his services. The fact that few cases have arisen is a high tribute to the integrity and character of the members of the Accountancy profession.

"In the moral, as well as the natural world, we perceive that Infinite Intelligence undeviatingly acts upon the principle of order."

ACCOUNTS Receivable are becoming more and more the subject of sale or of pledge. When they are sold, the purchaser usually

pays a price much less than the book value, because allowance must be made for uncollected accounts. These transactions afford opportunity for usurious loans. A sale of accounts receivable at a discount does not involve the question of usury. Should the transaction be a loan, then the discount, if above the legal rate, is usurious. Hence, it is important to determine whether a sale or a loan is the basis of the transaction.

This question arose in the case of Mercantile Trust Company vs. Castor, 112 N.E. 988, wherein a firm transferred its accounts receivable to a trust company, for which the trust company paid a certain amount lower than the book values of the accounts. The transferror guaranteed that the accounts would be paid at maturity. The court held that the effect of this guarantee was to indicate that the parties intended a loan and not a sale, and that, therefore, the contract was usurious.

In all of these cases the main means of determining the nature of the contract is to ascertain the intent of the parties. If it is a sale, title to the accounts is in the vendee; if a loan, title remains in the borrower. Should the latter be the case, the lender holds the accounts as a pledge. The chief method of distinguishing a pledge from a sale is to ascertain whether the party delivering the property can or cannot obtain his property again by paying the amount, including possibly interest.

Inasmuch as the creditor ordinarily has the right to collect the accounts at maturity, this test is difficult of application in the case of accounts receivable. The case I have cited has been criticized in other reviews. Nevertheless, I incline to the belief that it contains a more definite test than that usually given. The test is: Does the risk of ultimate collection rest upon the party delivering the accounts, or upon the party obtaining them? If a material part of the risk is placed upon the party obtaining the accounts, it would seem that the transaction should be regarded as a sale. If not, a loan would probably result. Owing to the ease with which their intentions may be misconstrued, it should be the aim of parties entering into such contracts so to word them that there can be no doubt as to the nature of the transaction.

A student may forget the fine distinctions which characterize cases involving the statute of frauds—but he will always remember to reduce to writing any contract likely to come within its provisions.

tinctively from surplus accumulated from operation.

A PARTNERSHIP sells its business to a corporation. The old partners are the controlling stockholders of the new corporation.

The corporation is capitalized at \$100,000, and the net asset value of the partnership taken over is \$125,000. Is it permissible, under the laws of the State of New York, for this corporation to commence business with a surplus? State, in general, the law in other jurisdictions on this point.

A Contributed surplus is to be distinguished from surplus from operation. A corporation cannot start business with a surplus from operation, for the reason that the source of such a surplus is profits secured from operation.

There is no legal objection in the State of New York to a corporation's starting business with a surplus, so long as the capital stock exceeds the minimum prescribed by law. This contributed surplus is available for distribution to the stockholders. In strict legal terminology, such a distribution is not considered in every instance to be a dividend.

This is the law prevailing in practically all of the jurisdictions of the United States. In fact, with moneyed corporations, such as banks, it is quite customary to start the corporation with contributed surplus. I am inclined to believe the law would view such a condition favorably.

In this connection, it may be noted that should the corporation reduce its capital stock, in accordance with Statutory provisions, then a surplus resulting from such reduction may be retained by the corporation. The New York Statute on this point leaves the question as to whether such surplus shall be distributed to the discretion of the board of directors.

Partnership assets purchased by a corporation should be taken in at their true values. But the bringing in of assets below the true values, for the purpose of wiping out an initial surplus, cannot be advised. From the accounting view-point, it is as undesirable to understate values as it is to overstate values.

Contributed surplus may arise in three principal ways: First, by payment of a premium to the corporation for stock at the time of the issue; second, by reduction of capital stock, in which event previous payments of stockholders for stock are converted into surplus; third, there may be an assessment levied on stockholders to create a surplus, after the sale of the stock and the commencement of operations, which assessment can be made only with the consent of stockholders. No matter from what sources the contributed surplus may arise, it should appear in the accounts and on balance sheets separately and dis-

Each member of the firm with which I am employed is insured for the benefit of the other members. The policies are on the 20-year-payment plan. Is it permissible to deduct the initial cash-surrender value, together with the annual increases in cash-surrender value, from amounts chargeable against profits for the premiums on these policies?

Partners insure for the benefit of each other in order that losses incident to dissolution upon the death of one of their members may be covered.

In the event of bankruptcy, insolvency, or like contingencies, the cash-surrender values of the several policies would be regarded as legal assets, available for distribution to creditors. As such they would logically be carried on the books as an asset of the partnership. It follows that each year there is added to the partnership assets this value, which would be in the nature of a value offsetting premiums paid. The cash-surrender values may therefore be set up. In case of realization of policies, however, the payment of the face of the policy will, of course, include the cash-surrender value set up on the books.

During 1916, a firm had some merchandise on hand which had been purchased from my Company. The firm wished to dispose of some of it in order to liquidate its indebtedness to us. We succeeded in finding a purchaser for a large portion of the stock, and arranged with our debtor to ship this stock to the prospective buyer. When this shipment was made, an invoice was rendered to us for the articles shipped, and the customer making the shipment was credited on his account accordingly. Through an oversight, however, the party receiving the goods was not charged, and this fact was discovered only a few days ago, after all the books for the year 1916 had been closed. Will you kindly inform me through the Question and Answer Department of The Pace Student how this transaction can be adjusted so as not to affect the profit results for the current year?

You do not state what account was charged when the customer making the shipment was credited for the goods shipped to another purchaser. If no account was charged, then, of course, your books were out of balance. Naturally, the charge should have been to the new purchaser. If this charge was omitted, evidently your Accounts Receivable Ledger would be out of balance by the amount. This would not affect

your Profit and Loss Account, and would have to be corrected simply by making the proper charge to the detail account, which would restore equilibrium to the Accounts Receivable.

(Continued)

If, however, when the customer was credited, a corresponding charge was made to some account, such as Returned Sales, then the profit showing for the past year would be decreased by that amount. Such an error would be corrected by a debit to the new purchaser and a credit to Surplus or other account to which net profit had been credited.

Q What becomes eventually of a Reserve for Depreciation? If the amount of depreciation equals the amount of the asset, is it good bookkeeping procedure to charge Reserve for Depreciation and credit the particular asset account, thus closing out both accounts? This would be exactly the result arrived at if the asset account were reduced a certain amount yearly and the same charged to Profit and Loss.

A A Reserve for Depreciation is set up by credit entries against debit entries to the Profit and Loss Account. Presumably it measures the decrease in value of the asset covered. In a Balance Sheet the reserve should be subtracted from the asset account to which it belongs, forwarding into the final column only the difference, which represents the net value of the asset. When the amount of depreciation equals the book value of the asset, no further depreciation should be set up thereon. In custom, one sometimes finds this condition resulting in an entry which eliminates both items from the Balance Sheet. It is preferable to allow both items to remain, as they tell more fully the history of the business, showing that the actual asset exists and that its value has been fully covered by Reserve for Depreciation. When the asset is eliminated, then, of course, both accounts should be eliminated likewise from the Balance Sheet. A Reserve for Depreciation as a separate account is preferable to crediting these depreciation items directly to the Asset Account, as the accounts show definitely the original cost of the asset and the estimated depreciation in value of the asset. If both are merged in one account it is difficult to determine these two separate facts regarding the item.

Q Will you tell me how goods may be marked to indicate the cost price, as well as the selling price, but so that the purchaser will not be able to know what the cost price is? I understand that there is some way of marking them in secret code, but do not understand how to devise such a system.

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A secret code for writing numbers usually consists of an arbitrary sign or letter to represent each number. This usually means that a code list

must be kept and consulted every time an article is marked or the price is read, until one becomes so familiar with the symbols that they recognize instantly the numbers they are intended to represent. Such a system is purely arbitrary, and any one can devise one by assigning any letter or arbitrary sign to each of the ten digits.

Another plan frequently used is to decide upon a word or phrase consisting of ten letters, no letter being repeated. Allow the first of these letters to represent the digit "1," the second letter to represent the digit "2," and so on throughout the list, the last letter representing "0." As an illustration, take the word "bisulphate." This is a cipher that is easily remembered, and a number can readily be written therein or read therefrom without consultation of a code book. For instance, to write \$15.00, put down "BLEE."

Another system requires that for each figure of the number you write the succeeding figure in the numerical list. By this system, \$15.00 would be written \$26.11. To read numbers written in this system you consider the next lower digit instead of each digit that is written. Another system, occasionally used in retail stores, is to mark each item with the dozen price reversed. That is, if an article costs \$2.30 per dozen, it is written "032."

There are many other systems, but no doubt we have illustrated a sufficient number to give you an idea of how to devise a system which will meet your particular needs. You realize, of course, that any of these systems can be deciphered by persons of fair cleverness, and with some experience in such systems.

WANTED-COST ACCOUNTANT

A firm of Certified Public Accountants offers a permanent engagement to several competent accountants at their Ohio Office.

Applicants must have experience in devising and installing factory cost systems; must understand the collection of material and labor figures, the various methods of distributing the factory overhead, and the building of a cost system controlled by the general books. References as to character and ability required. *No bookkeepers or cost clerks wanted.* State salary desired and give history of your experience fully in first letter. All communications confidential.

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The Fighting Edge

ity for getting our second wind. The fighting edge comes from mental fitness—the power to concentrate and think and reason, the ability at once to mobilize our brain resources on the firing line. The fighting edge comes from emotional fitness—joy in our work, belief in its worth while-ness, satisfaction in its future opportunities. The fighting edge means indifference alchemized into action, mental torpor alchemized into mental agility, self-pity alchemized into self-respect, contentment with half achievements alchemized into resolution for full achievements. The fighting edge is the thing that makes us want to spell man with a capital “M.” Come, let us, you and me, go after it and make it our own—the fighting edge!

Executive Ability

ONE of my closest friends—a young department head in a large manufacturing corporation—is noted for his executive ability. He gets things done without friction and on time. His subordinates—he has about sixty assistants, clerks, and stenographers—swear by him. I asked him the secret of his executive success. “There is no secret about it,” he replied. “But there are a few things I do which may be a partial answer. Whenever I have any fault to find with any one’s work, I take that person into my office and talk the matter over with him or her alone. First of all, I pick out what is praiseworthy and mention that. Then I show wherein faults are being committed; here I am always very explicit, and I never show any trace of irritation. But, most important of all, I bring myself, my own experience, into the discussion; I mention my early mistakes and what I had to do in order to overcome them. The net result of this kind of treatment is that every member of my force feels that there is a bond of human sympathy between us, and that it would be absurd to become disaffected or discouraged. Better work, more enthusiastic work, always follows as a matter of course.” In these

YOU need it, I need it, we all need it—the fighting edge—if we would attain the goal of our commercial hopes. The fighting edge comes from physical fitness—a good digestion, a liver that works, a capac-

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book of methods.

THE twins of business success are Planning It Out and Putting It Through. Closely related are they, independent though they may be in action.

You know him—the man of plans. He knows what he wants to do, what can be done, what should be done. His ideas—many of them—are good, capable of realization; but as for devising and running the machinery that will carry them out and produce the profit results, there is where he usually lacks. Details he loathes, and daily reports irritate him. His work, he temperamentally feels, is to conceive, invent, and plan in a large way.

You know the other chap, too—the man who puts through the plan and makes it produce. He is not concerned much with the ideas themselves. His business is to see that results are achieved; that the organization exchequer receives a steady increase in dollars and cents. He may be lacking in vision, in imagination; but, as a dynamic force that makes the wheels of the machinery of production whirl and sing, he asks no odds of any man. “Deliver the goods” is his daily and hourly slogan.

Sometimes Mr. Planning It Out and Mr. Putting It Through are found in one and the same person; then a \$50,000 salary is often in sight. Usually, though, they are two different types of persons who supplement and fortify each other. The organization with big hopes of success needs them both.

AN exchange which comes to our desk contains a cartoon based upon the statement by Chairman Hurley, of the Federal Trade Commission, that “only 10 per cent. of the merchants in the country really know their overhead costs and take them into account.” In the cartoon, a merchant is sitting at his dinner table with his three boys, whose appearance indicates ravenous appetites. The boys represent Cost of Material, Labor Cost, and Other Direct Expense. The

The Twins of Success

Overhead Expense

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Interpreting
the Purpose, Spirit, and Needs
of Modern Business

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merchant, having divided his cake into four slices, has passed one slice to each of the lads and is lifting to his own plate the fourth, which is labeled Net Profits, when the door opens and a fair lady enters. Her name is Overhead Expense. The look of dismay on the face of the merchant is quite pathetic as he stammers, "Oh! I forgot her."

We will not take issue with the cartoonist who has so effectively portrayed a condition that often exists, not only among merchants, but among other classes of business men as well. Our first thought, however, upon glancing at the cartoon is: Why picture Overhead Expense as feminine? Overhead Expense, when recognized at all, is a necessary evil, little to the liking of the business man. Surely, we cannot say the same in respect to femininity. But let it pass.

Overhead Expense is seldom understood. Its value is not realized; yet it is the expense that should make all other expenses productive. Business men seldom have any great affection for expenses of any character, but the direct expenses are not usually resented as vigorously as are the indirect. The usual feeling regarding the latter is that they must be tolerated because they exist and must exist, but that they are of no value, and serve only to reduce Net Profits.

This attitude is erroneous; Overhead Expense should be productive of Net Profits rather than otherwise. If the service covered by that word "Overhead" does, with a given amount of material, labor, and other direct expense, produce a greater Net Profit than would otherwise be produced, it is not useless, and it is to that extent productive. Better light, better heating devices, better superintendence, should all result in better Net Profits. There is as much opportunity for production in Overhead as in direct store or factory costs.

Budgets **T**HIS is an age of Budgets. We find institutions of every kind preparing annual Budgets. The cities are preparing Budgets, the Nation is preparing Budgets, and even individual households are preparing Budgets of their annual income and each penny of its expenditure. All of this is as it should be.

These Budgets are based primarily upon the expenditure of money; but money is not the only valuable element we have that requires caution in its disbursement. If the Budget plan, therefore, is valuable in the expenditure of money, is it not even more valuable in the expenditure of time?

What do you expect to accomplish in this world? Set it down, definitely. How much of

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this have you already accomplished? How many years have you for its completion? Set that down, approximately. Apportion the work over the years to come. Settle definitely the amount of it that you must accomplish in this coming year. Then divide that by months, and set the plan or chart before you on your desk so that you may see it daily. Each month record the progress that you make.

The results may startle you; but, also, they may be very gratifying.

"WANTED—Self-Starters" is the suggestive title of a newspaper paragraph I read some time ago. Here we have in three words an epitomized sermon on business success. There are plenty of men and women who perform their work well when somebody else starts them going. They are the kind that fill the routine jobs of various grades in the modern organization. You number them by the thousands. What Modern Business needs is young men and women of initiative, ambition, vision, capacity to see things and do things without waiting for external momentum to set them in motion. Give us more "self-starters," and give them to us quickly.

Self-Starters

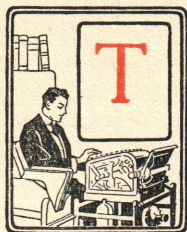
ONE way of testing the value of an educational program is to note the kind of reactions it produces on the part of the student body en masse and individually. Do the subjects studied—assuming they are actually studied and not skimmed over—react on the student mind in developing power of sustained concentration, the ability to formulate logical judgments respecting ideas and courses of action, the inclination to seek out the unknown and correlate it with the known, and the purpose to serve oneself by serving others in the spirit of whole-hearted cooperation? The educational curriculum that produces reactions of this kind has demonstrated its right to existence and, what is more, to whole-hearted support.

Mental Reaction

LIFE is full of knocks and knock downs. Nobody escapes his prefated share of bruises—bruises to his self-esteem, his self-confidence, his self-achievement. They toughen your fiber—if you have any fiber to toughen. They stiffen your backbone—if you have any backbone to stiffen. They put the glint of determination into your eye—if you have an eye that faces facts as they are and as they can be. The men that amount to anything are always those that find in disappointment and defeat a means to later achievement. Such men are game. Are you?

Game Men

Chas. B.
Couchman,
C.P.A.



THE problem we are presenting below involves many of the accounting principles that must be kept in mind in the preparation of Profit and Loss Statements for Partnerships.

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During the year 1916 certain articles of merchandise advanced in market price; and on December 31, 1916, it would have required \$9,300 to buy the quantity which the firm carried in stock,

and which had cost them \$5,900 the previous year. Desiring to be conservative, they listed this merchandise in their inventory at one-half of the advance in price; that is, at \$7,600.

You are required to prepare a statement showing analysis and distribution of profits of the firm for the year ended December 31, 1916.

On December 31, 1916, a trial balance of the B, C & D partnership accounting records displays the following items:

| | Dr. | Cr. |
|------------------------------|------------|------------|
| Cash | \$ 1,380. | |
| Accounts Receivable | 30,600. | |
| Accounts Payable | | \$26,800. |
| Fixtures and Equipment | 12,000. | |
| Investment | 8,000. | |
| Notes Payable | | 15,000. |
| Purchases | 191,000. | |
| Returned Sales | 4,500. | |
| Delivery Expense | 5,400. | |
| Advertising | 7,500. | |
| Salaries | 13,400. | |
| Interest and Discount | 3,720. | |
| Insurance | 2,640. | |
| Taxes | 1,140. | |
| Sundry Expense | 16,535. | |
| Sales | | 200,000. |
| Income on Investments | | 3,600. |
| B's Capital Account | | 7,700. |
| C's Capital Account | | 23,600. |
| D's Capital Account | | 21,115. |
| | \$297,815. | \$297,815. |

Each of the partners draws a salary of \$200 a month which has been charged to Salary Account. In addition to this, each partner has drawn monthly as follows: B, \$100; C, \$200; and D, \$300; which withdrawals have been debited to their respective capital accounts.

Each partner is to be credited with interest on his contributions and charged with interest on any withdrawals above his salary, at the rate of 6 per cent. per annum.

Six months' interest at 6 per cent. has accrued on a note payable for \$5,000.

The value of the Unexpired Insurance December 31, 1916, is \$240.

Rent at the rate of \$550 per month has been charged to Sundry Expense Account.

Fixtures and Equipment are to be depreciated 10 per cent.

Losses, because of bad debts, in the past have been about 1 per cent. of the net sales.

The Investment Account represents a part interest in a factory whose product is handled by the B, C & D Company. This was originally contributed by D at a valuation of \$20,000. During the year 1916, one-half of this original investment was sold for \$12,000 in order to raise cash to meet a note payable. Another note payable for \$10,000 which matured May 1, 1916, was met by a contribution from C of that amount.

The Inventory on December 31, 1916, was valued at \$64,200.

TO meet the requirements of this problem the Statement of Profit and Loss must show two distinct facts regarding the year's profit: how it was obtained, and how it was distributed.

Comments

In arriving at the first of these it is advisable so to arrange the facts as to display Gross Profit on Trading, Net Profit on Trading, and Total Net Profit. This last amount is the total net returns to the proprietors as a result of partnership transactions.

Salaries of the partners and interest upon their contributions and withdrawals are not included in this section of the statement. These items do not affect the amount of the net profit; they only affect its distribution. As between the partners, these items are effective to the extent that they influence the portions of the net profit which each partner receives. They do not, however, affect the partnership as a whole, and therefore are not considered as expenses of the business. It is true that the contrary view is held by some business men. But if the salaries of the partners are an expense of the business and affect the net profit, then unquestionably the profitability of the business can be increased by decreasing the partners' salaries. Profit is the term applied to the increase of net assets as a result of business operation. It may be withdrawn by the ownership without reducing the original capital.

In this problem the total increase of net assets is \$26,400, which is distributed by various methods to the partners. It is also evident that this amount is neither increased nor decreased by varying the amount of salary of the partners, nor by doing away with such salary entirely. The partners receive neither more nor less in total, as the result of the year's transactions.

It is evident, therefore, that neither salaries to partners nor interest upon Investment affects in the slightest the total returns to the proprietorship for the use of Capital, effort, or skill in the organization. Therefore, logically, they cannot be considered as expenses.

Several adjustments of nominal elements must be made before the accounts will present a true condition of the progress of the business.

B. C. & D.

Statement of Profit and Loss for the Year Ended December 31, 1916.

Solution

(Continued)

TRADING

| | | |
|--------------------------------------------|--------------|--------------|
| Sales | \$200,000.00 | |
| Less: Returned Sales | 4,500.00 | |
| Net Sales | | \$195,500.00 |
| Purchases | \$191,000.00 | |
| Less: Inventory at December 31, 1916 | 62,500.00 | |
| Cost of Goods Sold | | 128,500.00 |
| Gross Profit on Trading | | \$ 67,000.00 |

EXPENSES

| | | |
|------------------------------------------------------|------------|--------------|
| Salaries | \$6,200.00 | |
| Advertising | 7,500.00 | |
| Delivery Expense | 5,400.00 | |
| Interest and Discount | 3,870.00 | |
| Insurance | 2,400.00 | |
| Taxes | 1,140.00 | |
| Rent | 6,600.00 | |
| Depreciation on Fixtures and Equipment at 10 % | 1,200.00 | |
| Loss on Bad Accounts at 1% of net sales | 1,955.00 | |
| Sundry Expense | 9,935.00 | |
| Total Expense | | 46,200.00 |
| Net Profit on Trading | | \$ 20,800.00 |

NON-TRADING INCOME

| | | |
|--------------------------------------------------|------------|--------------|
| Profit from Sale of Assets | \$2,000.00 | |
| Income from Investment | 3,600.00 | 5,600.00 |
| Total Net Profit Available to the Partners | | \$ 26,400.00 |

DISTRIBUTION OF NET PROFIT

| | | | |
|-------------------------------------------------|------------|------------|-----------|
| Drawn by Partners as Salary | | \$7,200.00 | |
| Credited to Capital Accounts, as Interest: | | | |
| B, 6% on \$8,900 for 1 yr. | \$534.00 | | |
| Less 6% on \$1,200 for 6 mo. | 36.00 | | |
| | | \$498.00 | |
| C, 6% on \$16,000 for 4 mo. | \$ 320.00 | | |
| 6% on \$26,000 for 8 mo. | 1,040.00 | | |
| | \$1,360.00 | | |
| Less 6% on \$2,400 for 6 mo. | 72.00 | | |
| | | 1,288.00 | |
| D, 6% on \$24,715 for 1 yr. | \$1,476.90 | | |
| Less 6% on \$3,600 for 6 mo. | 108.00 | | |
| | | 1,374.90 | 3,154.90 |
| Balance, Credited to Capital Accounts, equally: | | | |
| B, $\frac{1}{3}$ of \$16,039.10 | \$5,342.37 | | |
| C, $\frac{1}{3}$ of 16,039.10 | 5,342.37 | | |
| D, $\frac{1}{3}$ of 16,039.10 | 5,342.36 | 16,039.10 | 26,400.00 |

Interest Account must be increased by \$150, covering the accrued interest on Notes Payable. The profit must be reduced by the depreciation of \$1,200 upon Fixtures and Equipment, and by an estimated loss because of bad accounts amounting to \$1,955. Of the balance upon the Insurance Account, only \$2,400 represents a nominal element to be brought to the Profit and Loss Account; the remaining \$240 being the prepayment for a benefit not yet received by the partnership. Salaries to the partners should be separated from salaries paid to parties outside of the partnership, and should be shown in the division which displays the distribution of the Net Profit.

The Inventory of December 31, 1916, must be reduced by \$1,700. The generally accepted rule of conservative business houses and accountants is, that assets held for realization should be inventoried at cost price or at market price whichever is the lower. This firm has listed its merchandise at \$1,700 more than cost. To allow this to remain on the books would make a false showing of profit to that extent. Profit upon merchandise must be the result of selling at a price advanced over cost price. Either cash, or a claim for cash, must be obtained before it can be considered as profit. In this problem this particular merchandise has not yet been sold. The firm does not have this profit of \$1,700, nor does it have a direct claim upon any one for this \$1,700. Therefore, it should not be included in the Profit.

As the Inventory as of December 31, 1915, does not appear in the Trial Balance, the presumption is that it has been included with the Purchases. A common practice in many business houses is to include the Inventory at the beginning of the period as the first item upon the Purchase Account for the period.

The Income upon Investments of \$3,600 is not the direct result of the partnership's trading operations, but instead is the return upon an investment in another enterprise. This should be shown in the Profit and Loss Statement after the results of trading, but included in the Net Profit to which the proprietorship is entitled.

Since the part of the original investment that was sold during the year for \$12,000 cost the partnership \$10,000, a profit of \$2,000 was realized. D consented to a valuation of \$20,000 upon this item when he contributed it to the company.

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Therefore, this realized profit becomes, not the profit of D, but the profit of the partnership. It is not the result of operation, and therefore forms no part of the net profit from operation, but is included in the net profit to which the proprietorship is entitled as the result of the year's transactions. The remaining portion of the investment cost the partnership \$10,000, and should be carried on the books at \$10,000 instead of \$8,000. If this investment had not produced sufficient income it might be considered conservative practice to write down its value to \$8,000, as had been done by the partnership; but the amount of income realized thereon during the year does not seem to justify such a procedure.

In the calculation of Interest upon the partners' Capital Accounts it is advisable to determine the amount of the Capital Accounts at the beginning of the year, and to calculate the interest upon that separate from the calculation of the interest upon withdrawals made during the year. We thus find, that B's Capital Account was \$8,900 at the beginning of the year; that C's Capital Account was \$16,000, and was increased May 1st, by \$10,000; and that D's Capital Account was \$24,715. The interest upon the Capital Account of each partner for the whole year, less the interest upon his withdrawals, gives the net amount to be credited to his Capital Account as Interest. The calculation of interest upon the withdrawals involves the ascertaining of the average time the amounts so withdrawn were in the hands of the partners.

In the absence of more definite information in this problem we have used six months as the basis for this calculation.

JOSEPH F. RYAN, Pace Institute of Accountancy, has taken up his residence in Waterbury, Conn., to accept a position as stenographer and bookkeeper with the Sperry Engineering Company.

WALTER J. WEEDON, Detroit Technical Institute, has taken up his residence in New York City and has recently accepted the post of secretary to Lieut. Edgerton of the British Foreign Service.

Delays need not necessarily be construed as defeats.

COMPARING College Men with Union Trades Men, Charles R. Mann, in Columbia University Quarterly, December, 1916, criticizes the modern college courses in engineering. Engineering schools have been considered among the most practical, and the defects he points out are surprising to those unfamiliar with the situation. He says: "Under the old industrial system, workmen are paid according to the number of hours of work, and little attention is given to the amount accomplished per hour. Under this system the workman accomplishes as little as he dares, and unions are formed to raise the time rate, and to standardize this minimum accomplishment. . . ."

"The school system is analogous to this old industrial system, since it awards 'credits' in accordance with Commissioner Finley's 'table of academic weights and measures,' namely:

45 minutes make one hour;
5 hours make 1 week;
36 weeks make 1 unit;
15 units make 1 matriculant;
120 semester-hours make 1 degree.

"The student who puts in the requisite time with an estimated efficiency of only 60 per cent. receives the same 'credit' as one who achieves an efficiency of 100 per cent. The result is similar to that in the industries: many students 'soldier,' try to bluff their way through, and even unite to create the tradition that it is a disgrace to be rated much above the pass mark."

Pointing out the tendency of modern business to pay workmen according to accomplishment, it is suggested that college courses should grade students according to achievement. Intenser application to studies would be encouraged, and the temptation to do only just what is needed to pull through would probably be eliminated in college life.

Criticism is also made of the manner in which the subjects are presented. "The work is not too hard, but it is presented in so abstract a manner that it has little or no meaning to the students. . . . The work must be made more concrete."

The awakening of colleges to business-like methods in education has been a development within recent years. Perhaps the day will come when the college graduate will be equipped to enter his business career upon a higher level than is now the rule.

SOME of the aspects and possible solutions of the problems of an inheritance tax on non-resident estates have been exhaustively treated by Joseph F. McCloy, of the New York Bar, a recognized expert on transfer tax and kindred subjects. Our readers will find this article in *Trust Companies Magazine*, New York City, May, 1916, issue. It is well worth reading.

Double taxation, the author considers economically unsound and unsafe as a matter of policy. No doubt this is so where one state taxes the transfer of property of decedents upon the theory of domicile, while another state taxes upon the theory of situs. Steps toward a uniform legislation have already been taken in Connecticut, Massachusetts, Pennsylvania, and, to a limited degree, in New York. Until some definite plan of taxation has been adopted by all of the states, the important question considered concerns what may be done to ameliorate or encourage the readier acceptance of some uniform plan of single taxation.

One of the evils of double taxation, Mr. McCloy contends, is its unprofitableness, in that such a tax tends to drive capital and property from the state, while the statutes imposing such taxes fail to produce revenues commensurate with the cost of collection. If the non-resident's estate is considered as a taxation unit it will be represented, according to Mr. McCloy, only by that portion of the property situated within the jurisdiction, while the whole estate of the resident will be the unit to bear the burden.

As Mr. McCloy points out, several states have either enacted statutes for a "Ratio Provision" to render estates of non-residents within their jurisdiction liable to some tax, even though it be a small one, regardless of the proportionate value of the distributive share of each beneficiary in the property in the state, or in the absence of specific statutory provisions, to administer their laws so as to produce such a result.

The question of the advisability of co-operation upon the part of taxpayers is admirably handled by Mr. McCloy in the following paragraphs:

"That so many states resort to these and other devices for swelling the revenues from non-resident estates, argues for their necessity to justify the expenses incident to collection, for, without such factitious aids, the unprofitableness of such

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statutes would soon become apparent. The persistence of such practices without challenge can be accounted for only by the fact that what is everybody's business is nobody's business. No one estate is inclined to hold the bag, as the saying goes, for all the other estates that would reap the benefit of a successful contest of these pretensions so evidently contrary to elementary legal principles.

"Nor is it likely that the amount of tax involved in any single estate would be sufficient to warrant resistance, although the aggregate of taxes so collected under the guise of statute amounts to vast sums annually.

"If concerted action on the part of a sufficient number of those states affected could be undertaken successfully, the states now enriched through invalid statutes and pernicious methods of procedure would be confined to the proper sphere within which payment of such taxes may be enforced, and it is submitted that the realization that multiform statutes, so relegated, are not effective revenue producers, operating upon the estates of non-residents, would soon prove a prepotent incentive to the adoption of the desired uniform legislation."

In the September, 1916, issue of *Trust Companies Magazine*, New York City, Mr. McCloy discusses the double and multiple inheritance tax, and gives his opinion that the new federal law should hasten uniformity of state laws. Both articles referred to above are logically worked out and contain much food for thought.—P. G. Burroughs.

FRANK A. VANDERLIP, president of the National City Bank of New York, in the course of an address, entitled "A Country with an Opportunity," delivered before The Bankers' Club of Chicago last December, made some striking observations upon various phases of our national life.

It is Mr. Vanderlip's opinion that, while, on the whole, we are "a sounder nation, a better governed country, a more efficient people than we were twenty years ago, there has undoubtedly been a loss in individual independence." A part of this condition has come, according to Mr. Vanderlip, "from a weak leaning upon legislative action instead of a sturdy dependence upon

individual strength; but part of it, too, has come from a clearer understanding of the unity of society and the necessity, if our social life is to develop harmoniously, that to some extent we must give up our personal inclinations and independence to the welfare of the whole."

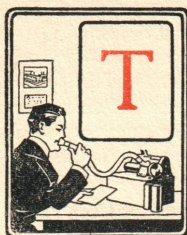
Mr. Vanderlip also makes the point that, in his opinion, "the whole theory of the taxation of incomes is wrong; but in saying that," continues the banker, "I do not mean that I would deny that the weight of taxation should fall in an increasing ratio on great wealth. Instead of taxing incomes, I believe we should tax expenditures. . . . The man, who, by judgment, thrift, and economy, by moderate living and modest expenditure, accumulates an income which he promptly returns to reproductive work is rendering the highest type of service; while profligate expenditure, whoever is responsible for it, robs all men and leaves the nation poorer by its double reaction."

Mr. Vanderlip believes emphatically that the ideal banker of the future in America must be a many-sided man with a broad grasp of the principles and the problems, not only of national banking but of international banking and economic relations. Such a banker, according to Mr. Vanderlip, besides being a linguist, will have "the equipment and the experience which will lead him to think clearly and on the broadest lines in regard to the relation of his business, financially, economically, and socially, to his community and to his country."

Perhaps the most significant point that Mr. Vanderlip laid stress on in his address is that "there is a science of political economy. Some of its principles," he says, "are as definite as laws of mathematics. It makes understandable principles and laws that can no more be broken with impunity by a nation than moral laws can be carelessly regarded by an individual. I believe sound thinking in regard to the principles of political economy to be one of the greatest needs of this nation. . . . At the present time we are a nation of economic illiterates."

Mr. Vanderlip's entire address reflects the vision, the broad viewpoint, and the patriotic spirit which characterizes the man of lofty thinking. Copies of this address, which has been printed, will be mailed to those desiring it. Address The National City Bank, 55 Wall Street, New York.

A
Country
with an
Opportunity



THE effective writer must be a master, not only of sentence structure and word usage, but also of paragraph structure.

A paragraph is a group of sentences which develop a main thought. No hard and fast rule can be laid down as to the length of a paragraph, or as to the number of sentences it should contain. The number of sentences may vary from one or two to twelve or fifteen. Five or six sentences are generally considered a safe average, since one should avoid, on the one hand, paragraphs that are so short as to be incomplete, and, on the other hand, paragraphs that are so long as to make it difficult for the reader to bear the central thought in mind till the end. The tendency in modern writing is toward short paragraphs.

Topic
Sentences

The central thought of any paragraph, and especially of a long paragraph, is made easy to grasp if the first sentence is what is called a topic sentence. By a topic sentence is meant a sentence which sets forth in general language the central thought of the paragraph, this central thought being developed in detail in the remaining sentences of the paragraph. The topic sentence should almost always be short. The topic sentences in the following paragraphs are italicized:

"We have various ways of obtaining information concerning the makers of bills receivable. Sometimes we write to the sending bank and ask for its opinion of the responsibility of the makers, and sometimes we have Dun or Bradstreet get us an agency report. We generally pursue the latter course when the maker is a large merchant, a partnership, a corporation, or another bank. Once in a while when we receive collateral notes which, in our opinion, are somewhat questionable, we write to a friendly correspondent in the locality of the makers. In this way we usually secure the facts that we need to have."

"The business man of to-day must know economics. Knowledge of economic principles governing the production, distribution, and consumption of wealth largely determines the profitable management of every kind of business enterprise. The man who has mastered the principles of economics and can apply them to business problems is guided in knowing when, where, and how

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much to buy, to manufacture, or to sell. He knows when to curtail expenses; when to promote, expand, and borrow; and how to fix wage scales, regulate overhead charges, and predetermine profit results. The ability to apply economic principles contributes heavily to the eventual realization of business success."

"The field of vocational service is wide in scope. The complex modern business organization, with its extreme division of work and specialization of effort, is constantly seeking the services of men and women who are competent to choose its recruits and to adjust the human material to the tasks in hand. The position of welfare executive, under which the problems of vocational selection and education are grouped, is being established in virtually all the progressive business organizations of the country. The demand is insistent for men and women who can enter upon the duties of these positions with something more in the way of scientific training than the ordinary experience of the teacher or the sociological worker."

"Most mail-order houses in their letters adopt a policy of as intimate relations between the firm and the prospective customer as possible. Some mail-order houses have letters written in the name of the firm, but signed by the writer as department manager, or sales manager, or by some other officer. Other mail-order houses omit the firm name entirely, in order to get away from the 'soulless corporation' idea; and letters to a customer are always signed by the same individual in order to secure a personal relationship that is considered a most valuable asset. The personal note is expected to permeate the entire letter. 'Address your reply to me personally' is the spirit of these firms—a policy that has been adopted after tests have demonstrated that it is the one appeal most effective with the average mail-order customer."

It will be observed from a study of the foregoing paragraphs that each topic sentence contains the central thought of the paragraph as a whole, and that it is easy, as a consequence, for the reader to follow the expansion of the thought. Topic sentences are of great value in all kinds of writing, and their use is unreservedly advised.

Wasting time is worse than wasting money. The latter you may recover sometimes, the former never.

EPSDW

This sounds like a code. It is a code, meaning that our *experience, personal service, and distinctive work* will appeal to you.

Accounting Systems
Printing Binders
Lithographing

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(Continued)

showing earnings from the beginning of the fiscal year to date in comparison with the previous year. The division traffic agent is also supplied with information which enables him to exert an effective managerial pressure on all the agents in his division.

The same principle of using sales statistics is applied, of course, in all lines of business. The facts, when properly collected, are of great use in stimulating the important business element of sales.

Finally, we may sum the matter up by stating that selling is a vital and essential function in all business enterprises; that the selling record is an incident to a record of merchandise values which may be more or less complete; that it is closely associated with the recording of cash and accounts receivable that arise from sales; and that the full recording of sales provides statistics that may be used effectively for the promotion of the profit object of the business.

THE value of extension instruction is coming to be unreservedly admitted by educators in general. The *Bulletin* of the Department of University Extension of the Board of Education of Massachusetts has just found its way to the reviewer's desk. There are six bureaus that comprise the Department of University Extension, the most important bureau, as stated by the *Bulletin* itself, being the Bureau of Correspondence Instruction; for, says the *Bulletin*, "It has been fully demonstrated that instruction by correspondence, when properly organized, can be made of great value to students who cannot attend classes under personal direction."

The courses offered include: English, Spanish, French, history and government, economics, sociology, money and banking, psychology, arithmetic, elementary and advanced algebra, plane and solid geometry, trigonometry, calculus, bookkeeping, stenography, typewriting, advertising, accounting, business law, mechanical drawing, architectural and free-hand drawing, steam engineering, heating and ventilating, electricity, structural and hydraulic engineering, civil service, and agriculture.

Although the courses mentioned above have been made available in Massachusetts for less than two years, a surprising number of students who are unable to attend either day or evening schools have

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been enrolled. In putting its seal of approval upon extension study, when properly taught through the mails, the Bay State has performed a notable educational service.

ABRAHAM BAUM, Pace Institute of Accountancy, has recently accepted an appointment on the staff of Touche, Niven & Company.

H. G. AMBROSE, C.P.A., former manager of the St. Louis office of Westerman, Trader & Company, announces the opening of his office in the Chemical Building, St. Louis, for the public practice of Accountancy.

HUGH D. O'ROURKE, Pace Institute of Accountancy, formerly employed by the New York Central Railroad, has been engaged as bookkeeper by Marden, Orth & Hastings.

AUSTIN O. UHL, Springfield Institute of Accountancy and Business Administration, has taken up his residence in New York City and has engaged in the practice of public accounting on the staff of Paterson, Ridgway & Fernsler.

EDWARD M. MILLER, Accountancy Institute of Brooklyn, who was formerly employed by the firm of Comstock & Washburn, has accepted a position as bookkeeper for the By-Products Chemical Company.

CHRISTIAN H. BITTNER, Pace Institute of Accountancy, has accepted the post of office manager for the Wales Advertising Company. Mr. Bittner was formerly in the employ of the Warner Sugar Refining Company.

EDGAR H. BOWERS, Pace Institute of Accountancy, Extension Division, has resigned his post as bookkeeper and credit manager for Messrs. Stevenson & Marster to accept a similar position with William Wise & Son, Brooklyn, N. Y.

JOHN B. MILLER, New York Institute of Accountancy, has resigned his position as clerk with the New York, New Haven & Hartford Railroad and has entered the employ of the Co-operative Realty Company as bookkeeper.

GEORGE LUZ, Accountancy Institute of Brooklyn, has recently accepted a post as auditor on the staff of Eckes, Fitz-Gerald & Dean.

JOSEPH R. BRITTAIN, Detroit Technical Institute, has taken up his residence in New York City to enter the practice of public accounting on the staff of Whittlesey, Myer & Wythes.

EDWARD CUNNINGHAM, Pace Institute of Accountancy, who was formerly employed as bookkeeper for the Metropolitan Tobacco Company, has severed his connection to accept the position of general bookkeeper for the Rainier Motor Corporation.

JOHN D. OSTERBERG, New York Institute of Accountancy, has severed his connection with the Mason Seaman Transportation Company. He is now engaged as bookkeeper for Squadron A, Cavalry, N.G.N.Y.

GEORGE N. KAPFER, Pace Institute of Accountancy, has resigned his position as instructor, Department of Education, Jersey City, to accept a position in the accounting department of McKinnon & Robbins.

JOHN NOVAK, New York Institute of Accountancy, has entered the practice of public accounting on the staff of Touche, Niven & Company. Mr. Novak was formerly engaged as bookkeeper and office manager for the Pickman Company.

FRANK S. BARTLETT, Accountancy Institute of Brooklyn, has entered the practice of public accounting on the staff of Messrs. Lybrand, Ross Brothers & Montgomery. Mr. Bartlett was formerly in the employ of the Guaranty Trust Company.

CHARLES L. BEEMER, Pace Institute of Accountancy, has severed his connection with the Midland Linseed Products Company to enter the practice of Accountancy on the staff of Marwick, Mitchell, Peat & Company, New York.

EMIL LINDER, JR., Pace Institute of Accountancy, Extension Division, has resigned his position as bookkeeper and cashier with the Geo. F. Staff Company, Rochester, N. Y., to accept the post of junior cost accountant on the staff of Nau, Rusk & Swearingen, Cleveland, O.

Public Speaking "YOU made a fine speech. I didn't know you could get up on your feet and pull any stuff like that. You carried your point, too, didn't you?" Tom and Walter were on their way home after the monthly meeting of the Young Men's Lyceum which they had recently helped to organize; and Tom could not refrain from voicing his admiration of Walter's ability to express himself before others.

"I'm glad you thought I talked well," replied Walter, "though I have some doubts about it myself. I believe, though, that when a fellow has something to say, he should get up and say it as earnestly and as briefly as he can."

"Your theory is all right," rejoined Tom, somewhat ironically, "but like a whole lot of theories it doesn't always work out well. Take a chap like me, for example. If I tried to make a speech, my knees would knock together, my tongue would get dry, and every idea I ever had would leave me. None of this public speaking business for yours truly."

"You haven't got the right viewpoint of the thing," commented Walter. "Of course, some fellows take to public speaking more naturally than others do, but I am certain that every man can learn how to express himself creditably on his feet. All he has to do is put him-

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self through a little preliminary training of the right kind."

"What do you mean by training of the right kind?" queried Tom. "Do you think I could learn to speak in public?"

"I most positively do think so," replied Walter. "I know you could learn how. Four months ago I felt just as you do now. Then I joined a Current Events Club, which had weekly meetings, and in no time I found that I could say what I had to say without stage fright. It's simply a matter of practice. When you once acquire self-confidence, you've won four-fifths of the battle, because we all have subjects to talk about, whether we think we have or not."

"If I wanted to learn how to talk to others, you'd advise me to get up and do it, would you?" asked Tom, still skeptical.

"Exactly," replied Walter. "In this Lyceum that we've just formed, you are going to have any number of opportunities to talk in public. Just say to yourself 'I can talk,' and you will be surprised at what you can do. After you have got to the point where you can say 'Mr. Chairman' without fear and trembling,

you will find your personality developing, and personality is one of the biggest assets for a young man who wants to get ahead in business."

Walter never spoke a truer word. The man who can stand before his fellows and present his opinions logically and forcefully has a great advantage over the man who never rises from his chair. The development of speaking ability and of personality go hand in hand, and the far-seeing man is he who takes advantage of every possible opportunity to perfect himself in the art of self-expression.

ARTHUR WOLFF & COMPANY, Certified Public Accountants, announce the establishment of a Western branch with offices at 605-06 Fay Building, Los Angeles, Cal.

CARTER H. ROBINSON, former Assistant Educational Director of the Detroit Y.M.C.A., has been appointed Educational Director of the Y.M.C.A. at Youngstown, Ohio.

THIS issue ends for the present the "Tom and Walter" series, which has been the source of so much favorable and interesting comment. In the next issue will begin a new series of side lights on the human side of Business—a series of Business Fables, which, we hope, will make you smile and think at the same time.

Judging from the Past

Every year the demand for copies of The Annual Review of The Annalist, issued the first week in January, exceeds the supply and the edition is quickly exhausted.

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